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GOVERNMENT OWNERSHIP OF RAILROADS.

The object of this paper is merely to outline, without elaboration, some of the arguments for and against the public ownership of railroads.

For the Government of the United States to acquire the two hundred thousand miles of railways already constructed, undertake to conduct their vast operations by direct agency and extend the service with needful rapidity, is a project of such colossal import as to incline us to place it quite outside the range of probability. Nevertheless, it cannot be put aside as a purely speculative problem, for already there are many ardent advocates of the policy. In the rapid advancement which displays itself on every hand, not only in the methods of industrial production but in the aims and aspirations of our people, no one can tell how soon we may encounter a widespread and insistent demand for the public acquisition and management of our entire railway system. Moreover, as the nature of transportation is more clearly perceived, and views enlarge as to the functions which government may usefully exercise, it is to be expected that the argument in favor of railway nationalization will become more attractive and convincing. Private opinion and judicial utterance agree that railroads are public highways, having the same essential relation to social order as the streets and avenues which have been dedicated to public use and always controlled by the state as matters of primary and common concern. Therefore, public ownership and operation of our railways is chiefly important in its economic aspects; it is simply a question of expediency.

What may be called the political objection is naturally the first to occur. This objection takes a twofold form. In the first place, it is said that the public ownership of railroads is opposed to the traditional policy of our government and

the historic development of its institutions. While the doctrine of *laissez faire* was not, even at the outset, fully adopted, still the general sentiment of our people has deprecated the extension of state functions and discouraged any radical inroad upon spheres of action occupied by private enterprise. Besides, it is claimed that such an enormous increase of public activities would overtax the power of successful management and bring about a serious disproportion between public and private operations. To say nothing of the difficulties involved in the acquisition of these properties, the task of their administration would be so tremendous, and so liable to be poorly performed, as to endanger the business balance which now seems fairly well maintained. The weight of this objection is conceded, the satisfactory answer to it not easily made. We hardly see how the roads could be taken over gradually, thereby allowing for growth of experience in unaccustomed duties; apparently the entire system would have to be acquired at once, or within a comparatively short period, without time for adequate preparation. Still, we are not quite willing to place limits upon the ability of a people so intelligent and resourceful as our own. We may well claim that they have proved themselves equal to every demand, and that even this gigantic task is not beyond their capacity. The enlargement heretofore made in the field of public performance has been justified by results, and it may be confidently asserted that our government has up to this time assumed no function or activity which we would consent to have it abrogate. Nor can we deny as an abstract proposition that a self-governed people, worthy of their heritage and opportunities, may best realize their ideals by collectively doing more and more of the things which affect the public welfare.

The other form of this objection is the danger of abuse through party control of such vast properties, representing so large a share of the wealth now in private hands, and the enormous voting strength of a million or more of railway

employees. That this objection is a serious one cannot be denied. Such experience as we have had is hardly sufficient to relieve our apprehension. True, there is now a considerable army of government employees, and their influence upon the results of elections is scarcely appreciable; but what would happen, for the time being at least, if all the railway employees of the country suddenly became government servants, no one can safely predict. We may believe, however, that the nature and magnitude of their work would so emphasize the necessity of stringent civil service rules, and popular sentiment would so emphatically condemn any attempt to use the railway employees for political purposes, that the danger in this direction would be far less than many imagine and would not be long in disappearing. For myself, I do not regard this objection as serious enough of itself to decide the question in favor of private ownership.

This view is confirmed by the fact that railways now exert a powerful and often decisive influence upon public affairs. That influence is not confined to the control of votes upon election day, but extends to the conduct of primaries, the organization and sometimes the corruption of legislative bodies, the selection of appointive officials of every grade, and the enactment and administration of local, state and national laws. It is always alert, aggressive, selfish; it is sometimes unscrupulous and demoralizing to the last degree. We may well question whether government ownership would under any circumstances introduce into American politics a more vicious or dangerous force than railways now exert.

It goes without saying that there are serious evils connected with existing railway methods. The roads have been built by private capital and conducted for the most part as private enterprises. The principle of competition has been upheld by public opinion and enforced by state and national laws; yet the obvious results of that competition are discriminations which favor the few at the expense of the many, and which are a serious and often fatal disadvantage to those

who are denied favors which others enjoy. Capital always takes advantage of competition, and nowhere is that advantage greater than in the use of railway facilities. Almost any price may be profitably paid to secure immunity from practices which now prevail. Government ownership would undoubtedly remove these discriminations. It would insure open and stable rates, applied to all alike without variation or exception. The price of transportation would be as certain and unquestioned as the price of postage stamps. There might be some frauds in underbilling, false description of property, and the like, as there are frauds upon the customs and internal revenue laws, but adequate penal provisions and vigorous prosecution of wrongdoers would reduce offences of that character to a minimum. It would be a question of only a little time when all secret and preferential rates would disappear and equal treatment be accorded for equal service in all cases. This would be an immense gain, and herein lies perhaps the most persuasive argument in favor of public ownership. As against this, however, there would unavoidably be a certain rigidity of rates which would to some extent interfere with the ready adjustment of charges to changing commercial currents and the varying conditions of supply and demand. It is not probable that under a system of public ownership there could be quite the same adaptability of rates to business requirements as obtains under private ownership.

In addition to uniformity and equality of charges which would result from government ownership, the advocates of that policy claim other advantages which deserve consideration. One is the security of capital which would be invested in the obligations issued to purchase the roads. There is something to be said in favor of a national debt when the creditors are citizens of the debtor state and the holders of its promises to pay. As the basis of currency issues, as an investment for savings banks, trust companies, estates, and the large class of persons who are not fitted for active employ-

ment, there is apparently nothing better than government bonds. Indeed, it is difficult to provide a substitute security for these various and important purposes and others of similar character. If the railroads were self-supporting, that is, earned enough to pay the interest on their cost, provide for their running expenses, maintenance, extension and improvements, with rates at least equally as low as would be secured under private ownership, the obligations incurred in acquiring the properties, whether in the form of bonds or guaranteed stock, would meet an increasing demand and prove a safe and stable foundation for our financial system.

But more than this, the elimination of railway securities as they now exist would, it is claimed, produce much indirect benefit. These securities are at present among the principal subjects of speculation. The prices at which they are sold constantly fluctuate and often represent something quite different from the actual value or earning capacity of the roads. The gambling instinct is stimulated by sudden and extreme changes in quotations, with the consequent opportunity to make large gains quickly, while the corresponding losses are equally sudden and disastrous. To get rid of all this manipulation, to withdraw these securities from the exchanges and stop all speculation in railway shares, would seem to be a distinct advance in the direction of business morality. When fortunes could no longer be made by dealing in this class of stocks, the capital and ability now devoted to that pursuit would be turned into more legitimate channels. It might prove an object lesson of immense value. We scarcely realize the demoralizing effect of this many-sided lottery. The fact that fortunes are quickly acquired in this way excites the passion for gain and breeds discontent with the plodding methods of slow accumulation by diligent labor and constant economy. The moralist, as well as the economist, may find something worthy of reflection in the point here suggested.

It is further claimed that public ownership would secure

lower rates of transportation. Theoretically, this is true, but whether that result would be realized as a matter of practical experience is more than doubtful. It seems to be the case everywhere, and is likely to be for a long time to come, that government service costs more in proportion to the work performed than private service. It is quite conceivable that the railroads of this country could be made to pay interest, say from 3 to 4 per cent, on their fair valuation, in addition to all their expenses, with a general scale of rates somewhat below the present standard. Given the same efficiency of management, the same energy and economy of administration, the same basis of wages and salaries as obtain under private ownership, and a considerably smaller charge than is now paid per unit of service would be sufficient for financial solvency. But this assumes a state of things not likely to exist if the railroads were operated as a government function. Any expectation to the contrary is not warranted by knowledge of what has generally characterized the various branches of government service.

Public ownership would doubtless mean higher wages and shorter hours of employment, but this again would mean an increased number of servants, adding materially to the cost of maintenance and operation. Upon this point it is often remarked that enormous salaries are paid to railway presidents and other officials, and that outlays of this sort would be stopped because no similar scale of compensation would be paid to government officials performing like duties. This argument, however, is rather specious and is used mainly by those who have made no calculation to see how small a figure it cuts in dollars and cents. Without having made the computation, I venture to say that if all railway salaries above \$5,000 a year were discontinued the saving would not be appreciable in the price of a railway ticket or the cost of moving a hundred pounds of freight.

With reference to future construction and the extension of railway lines a word may be properly said. That there have

been many instances of needless duplication of railway lines, actually or nearly parallel, is perfectly well known; but government ownership would not correct mistakes that have already been made in that regard. The roads would remain where they were built and their continued operation would practically be necessary. In constructing additional roads a more rational plan might be followed and a repetition of past follies avoided. But here again we run against political objections. On the one hand is the danger that too great conservatism would prevail, with the consequent failure to supply extensive and developing sections of the country with needed facilities. On the other hand is the danger that there would be an over-production, having reference both to cost and to public requirements. More than this, the building up of important lines, or their extension in certain sections, might become a political issue. We cannot be sure that the development of our railway systems by the government would be guided by needful wisdom and fairly balanced as between the demands of localities and justice to the tax-paying public. On the whole, we may conclude that the distribution of our railway mileage, both with reference to territory and population, has been fully as rapid, judicious and satisfactory as would have been the case if the government had constructed the roads and determined from the first, their number, character and location.

And in this connection I suggest a phase of the subject which has not apparently received much attention. It is not enough that open rates are published and rigidly observed. That of course insures equality of treatment as between individuals in like situation, a result that would certainly be secured by public operation of the roads. But there is another aspect of the rate question which presents far greater difficulty and which is wholly independent of railway ownership. The fair adjustment of rates as between different communities and different articles of traffic is a matter of the highest consequence, because upon that adjustment

depends the most commanding commercial interests. If the state owned the roads all secret discriminations would disappear, but then as now the question would arise, for instance, how rates on wheat should compare with rates on flour; how rates on dressed beef and packing house products should compare with rates on live animals; how rates on grain and grain products, produced in the great Middle West, to north Atlantic cities should compare with rates on the same articles to ports on the Gulf of Mexico. These and an endless variety of similar questions would demand solution under government ownership precisely as they demand solution at the present time under private ownership. And the danger is that those questions would become political issues to be settled by the action of the majority party. I can see how railway officials and employees, all being government servants, might be kept out of politics, or at least prevented from exercising any undue or improper influence upon policies and elections. I can see how a trained and efficient force might be equal to the complicated task of management and operation. I can see how the financial difficulties could be overcome and rates so adjusted to needed revenue as to save the people from any indirect taxation for railway support, and at the same time give them extremely cheap transportation. But I have grave apprehension along the line now suggested. More and more as modern industrial methods are applied and perfected, as business is conducted upon an enlarging scale with a narrowing margin of profit upon each unit of production, more and more will the question of relative rates become controlling. Shall coal be taken to Chicago from Indiana or from West Virginia? Shall iron and steel products be manufactured in Pittsburg or in Cleveland? Shall export traffic leave the country by way of New York or New Orleans? Shall wheat be made into flour at Minneapolis or Buffalo? Shall certain localities be supplied with oranges from California or from Florida? Shall sugar be made from beets grown north of the Ohio and

Potomac rivers, or from cane in Louisiana or Hawaii, or Cuba and Porto Rico? Will the Pacific Coast jobbers who are reaching out for the trade of the Orient get their supplies from the Mississippi Valley or from the Atlantic seaboard? Will those supplies be carried by rail or by water? These and a thousand similar questions will be largely answered by the rates fixed for carrying the traffic. If the government owns the roads and operates them, Congress may fix the price of transportation as it now fixes the price of postage or the internal revenue tax on any article; and it is conceivable that, as the result of an election or in the redemption of party pledges, a system of rates might be adopted which would enormously benefit one or more sections of the country whose representatives combine to that end, while placing other sections at serious disadvantage. In this direction I see the greatest difficulty, and it is on this ground, more than any other, that I should regret to see the government take up the business of owning and operating our railway lines.

There is another and distinctly economic phase of the subject from which arguments may be drawn both for and against the nationalization of railways. Indeed, it leads to the most interesting reflections because of its wide significance and permanent character. On the one side it is said that to withdraw this immense industry from private enterprise, and make our transportation a government monopoly, would seriously restrict the field of private activity and in a way leave insufficient scope for individual effort and achievement. It is opportunity that furnishes inducement to action, because of the rewards that may be secured; and where opportunity is lacking there is corresponding temptation to idleness and ease. When we consider how many men win wealth and prominence in connection with the building and operation of railroads, or through their relation to reorganizations and consolidations, we can see that there is an element of disadvantage to the ambitious, not to be

lightly regarded, in taking so great an industry from the field of private performance. What the actual effect would be we can only conjecture.

Against this, however, two things may be said. First, as a practical matter, we may believe that ample opportunities for success would be found in other directions. Our territory is so great, its resources so varied and exhaustless, there are so many new things to be done, so many prizes to be won in other spheres of activity, that the withdrawal of all railway operations from the field of private enterprise would not seriously handicap the determined and capable. Indeed, as incidental to this point of view, it may be remarked that the stability and certainty of transportation charges under government ownership would give a freedom to individual effort which very many under present conditions do not enjoy. If the facilities of rail conveyance were available to all persons on like terms, so that the burden of transportation rested with equal weight upon competing producers and dealers, there would be a liberty of private action which often does not now exist, for the like enjoyment by all of this public service would remove the bonds by which many an industry is to-day hampered and many an occupation deprived of its rightful privileges.

But there is a further and more important consequence to be taken into account. We are constantly reminded of the gross inequality in the distribution of wealth, and see in the facts of every-day life much cause for dissatisfaction in this regard. We feel tolerably sure that a more equable division of property would be a great social and economic benefit. If this be desirable, as I think it is, how can it be brought about except by withdrawing from private enterprise those activities of a public nature whereby great private fortunes are and have been acquired. There is no honest way of getting rich in connection with an industry conducted by the public. If the railroads were acquired by the state and conducted as a government monopoly the opportunity for money

making in that field would of course disappear. Granted that this might work in some cases against individual success, yet on the whole might it not prove a needful corrective of present tendencies, and thus indirectly but certainly lead to a better because more even distribution of the nation's wealth?

Consider, for example, what has occurred within the last few years in the street railway service of cities. The recent substitution of electricity for animal power furnished an opportunity which a few foresaw, and they have been greatly enriched by exploiting a public franchise. That the public has had the benefit of much better service without increased cost is beside the present question. The point is that had those franchises not been granted, had they remained the possession of the public, the great fortunes made in street railroading would have been impossible. It may be better as it is; the municipal ownership of street railroads might not have been a financial success or a public blessing, but a small group of persons would not have been able to accumulate unusual wealth. If, in the long run, it makes for the general welfare to prevent the quick and easy making of private fortunes in connection with a public service, what other course remains except to emancipate all forms of public service from the domain of private enterprise.

If we test the utility of public ownership by the experience of other countries we find little that is convincing either one way or the other. On the whole the tendency is strongly in that direction. And this tendency, it is interesting to observe, is quite independent of the form of government. For instance, there is Germany, which the ordinary person regards as the nearest to a monarchy of any great modern state, which already owns and operates a large portion of its railways and is apparently aiming to still further extend its railway operations; and right alongside of Germany is little Switzerland, which we picture to ourselves as about the most democratic of modern governments, which has recently

acquired all the railways within her territory and is to conduct them as a government service. The step was taken only after long deliberation and under a proceeding which reflected the unquestioned preference of the Swiss people.

From such countries as Australia and New South Wales conflicting accounts are received, varying largely, it would seem, from the point of view and preconceived notions of the observer. Within the last few months I have had occasion to meet men from both those countries who are thoroughly well informed, not only as to the operation of their railroads but as to the sentiment of their people, and I was assured that the idea of discontinuing public ownership and allowing the railroads to pass into private hands would find no support in public opinion or be regarded as among future possibilities. It is true, the conditions existing in other lands are quite different from those encountered here. This is so not only as to the character of the population and industries, but also by reason of the traditional sentiment and attitude of the people towards their governments. In England, as is well known, the geographic and other conditions are quite unlike those existing here. More than that, there has been in England from the beginning a more rigorous control of railways than in this country, while various causes have brought about to a great extent a division of territory between different railway systems, so that competitive forces have been kept under efficient restraint. The discriminating practices which are here so prevalent and alarming are there virtually unknown.

It is a great question, one upon which the last word has not by any means been said. That it will be more and more discussed I am very certain. That it will become an early political issue I do not expect and assuredly do not desire. But as was remarked at the outset, no one can tell how soon it may be forced to the front and absorb the attention of the country beyond all other matters of public concern.

One thing an aroused and dominant sentiment will surely demand, and that is the doing away with those vicious discriminations which have characterized and often disgraced our railway operations. Such offences against right and justice will not always be tolerated. If consolidations and unified management bring open and reasonable rates, if more intelligent and adequate laws aid the elimination of abuses and give success to the work of public regulation, the agitation for state ownership will not for a long time make perceptible headway. That is the outcome which seems plainly the most desirable. If it can be secured through associated action and efficient supervision, the public will be satisfied to leave the railways in private hands; but if abuses continue and chronic evils prove incurable by methods we much prefer to use, then there will be no alternative except to acquire and operate the railways as a government function. If regulation fails public ownership will be the next and early resort.

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